

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00

PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 SAM-01

SAB-01 /105 W

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R 291518Z JAN 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9624

INFO AMEMBASSY ABU DHABI

AMCONSUL ALEXANDRIA

AMEMBASSY BONN

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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EO 11652: NA

TAGS: EFIN ETRD EGEN PFOR EG

SUBJECT: PRIME MINISTER ENUNCIATES GOE ECONOMIC POLICY

1. IN LENGTHY PRESENTATION TO PEOPLE'S ASSEMBLY JANUARY 28
PM SALEM ACKNOWLEDGED GOE'S BUDGETARY DIFFICULTIES, CALLED
UPON NATION TO INCREASE PRODUCTION, RECITED ACCOMPLISHMENTS OF
GOVERNMENT IN CERTAIN SECOTS AND ANNOUNCED BELT-TIGHTENING
MEASURES. PM'S MESSAGE, WHILE SOMEWHAT SHORT ON SOLUTIONS
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FOR EGYPT'S ECONOMIC PROBLEMS, ADDRESSES DIRECTLY A NUMBER

OF CONCERNS RECEIVING MORE AND MORE PUBLIC ATTENTION.

2. PM REPORTEDLY LED OFF SUBSTANCE OF HIS STATEMENT BY STRESSING THAT ECONOMIC REFORMS DESIRED BY GOE CANNOT BE ACCOMPLISHED IN SINGLE YEAR (ACTUALLY PRESENT CABINET HAS BEEN IN OFFICE LESS TIME) AND EXPRESSING TRUISM THAT RISES IN WAGES WITHOUT INCREASED PRODUCTIVITY WOULD ONLY LEAD TO INFLATION. HE NOTED NECESSITY TO ADHERE TO ECONOMIC PLANS AND TO EXECUTE DEVELOPMENT PROGRAMS STEP BY STEP. REACHING BALANCED STATE IN ECONOMY DEPENDS ON FOLLOWING SET POLICIES, INCREASING PRODUCTION AND EXPORTS, CURBING SPENDING ON CONSUMER IMPORTS AND REDUCING BALANCE OF PAYMENTS DEFICIT.

3. PM SPELLED OUT DISMAL BALANCE OF PAYMENTS PICTURE: OVER PAST DECADE GENERAL IMPORT EXPENDITURES HAVE RISEN FROM LE 600 MILLION (LE 1 EQUALS \$2.56 AT OFFICIAL RATE) TO OVER LE 2,000 MILLION IN 1975, WHILE EXPORT AND INVISIBLE RECEIPTS HAVE INCREASED IN SAME PERIOD FROM LE 500 MILLION TO ONLY APPROXIMATELY LE 1,000 MILLION. HE ATTRIBUTED RISE IN SPENDING PRIMARILY TO INCREASED CONSUMPTION. PM CITED NEED FOR FOREIGN FINANCING ON REASONABLE TERMS TO CLOSE GAP AND FOUND OCCASION TO MENTION OFT-QUOTED FIGURE OF LE 16,000 MILLION AS COST TO EGYPT OF ITS WAR EFFORTS.

4. SPECIFIC MEASURES TAKEN IN CABINET TO CUT SPENDING ARE LISTED AS: CONTROLS ON GOVERNMENT HIRING, BANNING INCENTIVE BONUSES, PROHIBITING INCREASES IN PRIVILEGES, REQUIRING ADHERENCE TO FIXED BUDGETS, HALTING IMPORT OF LUXURY CARS FOR GOVERNMENT USE AND CONSTRUCTION OF GOVERNMENT BUILDINGS, SLASHING BUDGET FOR RECEPTIONS AND PARTIES (AN ESTIMATED SAVING OF LE 30 MILLION), CUTTING TEN PERCENT FROM PARALLEL MARKET AVAILABILITIES (SAVING ESTIMATED AT LE 60 MILLION, BUT WE ARE NOT AT ALL CLEAR HOW THIS FIGURE IS DERIVED). PM ALSO SAID TAXES ON GAMBLING CASINOS WILL BE RAISED FROM 25 TO 50 PERCENT AND THAT REFORM OF TAX SYSTEM IN GENERAL IS UNDERWAY. IN CONTEXT OF SAVINGS, PM ALSO REPORTEDLY STATED PRICES WILL BE STABILIZED ON BASIC RATIONED COMMODITIES, A NON SEQUITUR IF WE EVER SAW ONE.

5. DESPITE WARNING ON PRODUCTIVITY AS BASIS FOR WAGE RISES, ATTENTION WAS DEVOTED BY PM AS WELL TO PLIGHT OF LOW INCOME WORKERS. CABINET HAS DECIDED TO EARMARK LE 187 MILLION FOR LIMITED OFFICIAL USE

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ASSISTANCE DESCRIBED AS DESTINED TO THIS GROUP, INCLUDING LE 70 MILLION FOR INCREASED PRICES PAID TO FARMERS. REMAINDER OF SUM IS FOR JOB TRAINING, COST-OF-LIVING ALLOWANCES AND CIVIL SERVICE ANNUAL PAY INCREMENTS.

6. REVIEW OF SECTORAL PERFORMANCE BY PM LISTS ACCOMPLISHMENTS, MAINLY IN TERMS OF INVESTMENTS MADE, IN FIELDS RANGING FROM POULTRY PRODUCTION TO TELECOMMUNICATIONS. MOST SIGNIFICANT DATA

PERTAINED TO PETROLEUM. PM STATED 1980 PRODCUTION IS EXPECTED TO RISE TO AS MUCH AS 50 MILLION TONS (NOTE: GOE ANTICIPATES 1976 PRODUCTION AT 20 MILLION TON LEVEL, A 100 PERCENT INCREASE OVER 1975), WITH EXPORTS TOTALLING 1,300 MILLION DOLLARS. IN TOURISM SECTOR, HE NOTED 1975 INCOME AMOUNTED TO LE 90 MILLION.

7. ELSEWHERE IN SPEECH PM TREATED EXPLICITLY QUESTION OF CORRUPTION, CALLING ON CITIZENRY TO REPORT DOCUMENTED INSTANCES TO APPROPRIATE AUTHORITY. HE ADMITTED THAT COMPLAINTS OF CERTAIN GROUPS OF POPULATION (LARGELY WITH RESPECT TOWAGES AND PRICES) ARE JUSTIFIED, BUT CALLED FOR HARD WORK AS SOLTUION. PM IN SUM HELD OUT HOPE THAT CURRENT "CRISIS" THUS CAN BE OVERCOME IN VIEW OF EGYPT'S GREAT TECHNICAL POTENTIAL AND SCIENTIFIC EXPERIENCE, WHICH SURPASSES THAT OF MOST OF THIRD WORLD. PEOPLE'S ASSEMBLY SPEAKER REFERRED PM'S REPORT UPON CONCLUSION OF ITS PRESENTATION TO AD HOC COMMITTEE FOR CONSIDERATION. SPEECH WAS FOLLOWED BY LENGTHY DEBATE.

8. COMMENT: PM'S STATEMENT INCLUDED FRANK ADMISSION OF DIFFICULT STRAITS EGYPT FINDS ITSELF IN AND RECOGNITION OF CAUSES FOR DISCONTENT ON ECONOMIC FRONT. PROPOSALS FOR EXTRICTATING COUNTRY FROM FINANCIAL MORASS, HOWEVER, ARE UNREMARKABLE AND IN TIME-HONORED TRADITION FOR THIS KIND OF SPEECH: CUT UNNECESSARY EXPENDITURES WHILE AT SAME TIME AIDING MASSES. POSSIBLE EXCEPTION IS PM'S CLEARLY-MADE POINT, OBVIOUSLY IN RESPONSE TO PUBLIC GRUMBLING ON RISING COST OF LIVING, THAT INCREASED PRODUCTIVITY IS ONLY MEANS TO GAIN NON-INFLATIONARY WAGE INCREASES. WE UNDERSTAND THAT SPEECH WAS IMPRESSIVELY-DELIVERED AND WAS WELL RECEIVED BY ASSEMBLY MEMBERS. FURTHER DEBATE CAN BE EXPECTED UPON LEGISLATURE'S RECONVENING FEBRUARY 7 EVEN THOUGH RECENT DISCUSSION WAS PROLONGED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, ECONOMIC CONDITIONS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO01202
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760035-0092
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760111/aaaaaium.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by BoyleJA>; APPROVED <17 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER ENUNCIATES GOE ECONOMIC POLICY
TAGS: EFIN, ETRD, EGEN, PFOR, EG, (SALIM, MAMDUH MUHAMMAD)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006